

AUDITED FINANCIAL STATEMENTS
TOWNSHIP OF LAKETON, MICHIGAN

March 31, 2006

GALVIN D. MEEUSEN, C.P.A., PLLC
CERTIFIED PUBLIC ACCOUNTANT

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Laketon	County Muskegon
Audit Date 3-31-2006	Opinion Date 8-7-2006	Date Accountant Report Submitted to State: 8-16-2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1950).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Calvin D. Meeusen, C.P.A., PLLC			
Street Address 1014 S. Beacon Blvd.	City Grand Haven	State MI	ZIP 49417
Accountant Signature 			

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CERTIFIED PUBLIC ACCOUNTANT

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

To the Township Board
Township of Laketon, Michigan

I have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Township of Laketon, Michigan as of and for the year ended March 31, 2006, which, collectively, comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, and each major fund of the Township as of March 31, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis (identified in the table of contents) is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, I did not audit the information and express no opinion on it.

The accompanying required supplemental information, as identified in the table of contents, are not required parts of the basic financial statements. The required supplemental information is information required by the Governmental Accounting Standards Board. My audit was conducted

for the purpose of forming opinions on the financial statements that collectively comprise the Township of Laketon basic financial statements. The required supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Calvin D. Meeusen C.P.A. PLLC

Calvin D. Meeusen, C.P.A., PLLC

Grand Haven, Michigan

August 7, 2006

Township of Laketon, Michigan
Management's Discussion and Analysis
March 31, 2006

Using this Management's Discussion and Analysis

This annual report is intended to supplement the Township's financial statements for fiscal year ending March 31, 2006. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements (i.e. the Statement of Governmental Fund Revenue, Expenditures and changes in Fund Balance and the Governmental Fund Balance Sheet) tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

The Township as a Whole

The Township's total net assets are \$8,626,747 as of March 31, 2006. Unrestricted net assets, which represents net assets that can be used to finance day to day operations, comprise 60.4% of that total. The current level of unrestricted net assets for our governmental activities stands at \$1,320,500 or about 103% of current year operating expenditures.

Government-Wide Financial Analysis:

The first table presented is a summary of the government-wide statement of net assets for the Township. The net assets may be used as an indicator of a government's financial health. As of March 31, 2006, the Township's net assets from governmental activities totaled \$1,839,077 (21%) and \$6,787,370 (79%) from business-type activities, creating a total government-wide net asset total of \$8,626,747.

In examining the composition of these net assets, the reader should note that governmental activities net assets are primarily invested in capital assets (i.e., buildings, land, vehicles, equipment, etc.) These assets are used to provide services to the residents and they are not available to pay salaries, operational expenses, or fund capital projects.

Table 1
Township of Laketon Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
<u>Assets</u>						
Current and other assets	\$1,328,683	\$1,214,379	\$3,904,261	\$3,546,203	\$5,232,944	\$4,760,582
Capital assets, net of accumulated depreciation	<u>518,577</u>	<u>551,703</u>	<u>3,136,000</u>	<u>3,315,736</u>	<u>3,654,577</u>	<u>3,867,439</u>
Total	1,847,260	1,766,082	7,040,261	6,861,939	8,887,521	8,628,021

Township of Laketon, Michigan
Management's Discussion and Analysis
March 31, 2006

Table 1- Township of Laketon Net Assets-continued

	Governmental Activities		Business-Type Activities		Total	
<u>Liabilities</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Current	\$ 8,183	\$ 28,966	\$ 39,652	\$ 35,085	\$ 47,835	\$ 64,051
Noncurrent	-	-	212,939	241,158	212,939	241,158
Total	8,183	28,966	252,591	276,243	260,774	305,209
 <u>Net Assets</u>						
Capital Assets,						
Net of Debt	518,577	551,703	2,894,842	3,047,645	3,413,419	3,599,348
Unrestricted	1,320,500	1,185,413	3,892,828	3,538,051	5,213,328	4,723,464
Total net assets	<u>\$1,839,077</u>	<u>\$1,737,116</u>	<u>\$6,787,670</u>	<u>\$6,585,696</u>	<u>\$8,626,747</u>	<u>\$8,322,812</u>

The Township's net assets continue to remain healthy. The Township has enough unrestricted cash on hand at the end of the year to fund normal operating expenses in similar circumstances for over 12 months.

Governmental Activities

Governmental activities increased the Township's net assets by \$101,961, accounting for 34% of the total growth in net assets. Table 2 depicts this occurrence which will be discussed in more detail later in this analysis.

The Township's total revenues in the General Fund increased by approximately 4.1%, primarily due to an increase in property taxes.

As reflected in Table 2 revenues for the General Fund are higher due to increased charges for services, an increase in Property Taxes and Investment earnings.

Business-Type Activities

The Township's business-type activities consist of the sewer and water funds. Revenues for business-type activities were \$343,838, an increase of 0.5%. We provide sewage treatment to approximately 30% of township residents through the Muskegon County wastewater treatment plant. We provide water to approximately 15% of township residents which comes from the Muskegon County water system.

The small increase in sewer and water fund revenues reflects a stable growth pattern in the Township regarding usage and hook ups.

At the end of the fiscal year, the net assets for business-type activities increased by \$201,974.

Township of Laketon, Michigan
Management's Discussion and Analysis
March 31, 2006

Business-Type Activities-Continued

Table 2
Township of Laketon, Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
<u>Revenues</u>						
Program						
Charges for Services	\$ 243,562	\$ 230,772	\$ 343,838	\$ 342,250	\$ 587,400	\$ 573,022
General						
Property taxes	557,169	528,453	113,492	106,068	670,661	634,521
State grants	507,179	510,428	-	-	507,179	510,428
Investment earnings	23,375	10,320	122,006	98,121	145,381	108,441
Other	84,335	129,522	-	-	84,335	129,522
Total	<u>1,415,620</u>	<u>1,409,495</u>	<u>579,336</u>	<u>546,439</u>	<u>1,994,956</u>	<u>1,955,934</u>
<u>Expenses</u>						
Legislative	8,400	8,016	-	-	8,400	8,016
General government	653,432	662,219	-	-	653,432	662,219
Public safety	369,378	216,654	-	-	369,378	216,654
Public works	216,078	198,752	-	-	216,078	198,752
Other	66,371	71,970	-	-	66,371	71,970
Sewer fund	-	-	342,077	268,750	342,077	268,750
Water fund	-	-	35,285	44,984	35,285	44,984
Total	<u>1,313,659</u>	<u>1,157,611</u>	<u>377,362</u>	<u>313,734</u>	<u>1,691,021</u>	<u>1,471,345</u>
Increase (Decrease) in Net Assets	101,961	251,884	201,974	232,705	303,935	484,589
Net Assets - Beginning of Year	<u>1,737,116</u>	<u>1,485,232</u>	<u>6,585,696</u>	<u>6,352,991</u>	<u>8,322,812</u>	<u>7,838,223</u>
Net Assets - End of Year	<u>\$1,839,077</u>	<u>\$1,737,116</u>	<u>\$6,787,670</u>	<u>\$6,585,696</u>	<u>\$8,626,747</u>	<u>\$8,322,812</u>

The Township's Funds

An analysis of the Township's major funds begins on page 11 following the entity wide financial statements. The fund financial statements provide detailed information about the significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities. The Township's major funds include the General Fund, Building Department Fund, Sewage Disposal System Fund and the Water Supply System Fund.

The General Fund pays the Township's general operating expenditures, the most significant of which are General Government and Public Safety.

Township of Laketon, Michigan
Management's Discussion and Analysis
March 31, 2006

General Fund Budgetary Highlights

As in past years, the Township Board monitors the budget on a monthly basis. Township expenditures overall stayed below budget, resulting in total expenditures of \$1,151,808, which was \$115,061 below budget. The General Fund's fund balance increased from \$970,360 a year ago to \$1,089,404 at March 31, 2006.

Capital Asset and Debt Administration

At March 31, 2006 the Township had \$3,654,577 (net of accumulated depreciation of \$4,897,560) invested in a broad range of capital assets including land, land improvements, sewer system, water system, buildings and machinery and equipment. We continue to make payments on the sewer bonds that were issued for wastewater collection and treatment system improvements in accordance with the Schedule of Indebtedness. All of the payments were paid on time.

Economic Factors and Next Year's Budgets and Rates

The Township's budget for the next fiscal year projects property taxes to increase by approximately 3% due to increases in property values and newly assessed residential properties from housing developments. State revenue sharing allocations are a budgetary concern at this time. The State of Michigan has experienced significant budgeting problems and as they look for solutions, state shared revenues may decrease. The amount of revenue sharing is uncertain at this time but is expected to approximate last year's amount. Salaries are a large expenditure of the funds and represented approximately 30% of this year's total budget.

The Township will be expanding the public utilities to a large portion of the Township (sewer and water). The water will be funded by a grant for a portion of the Township. The remainder will be funded through development and hook up fees projected in the Township.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers and other interested parties with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact us at (231) 744-2454.

Township of Laketon, Michigan

STATEMENT OF NET ASSETS

March 31, 2006

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash	\$1,148,539	\$2,335,272	\$3,483,811
Investments (approximate market value \$1,307,985)	-	1,358,050	1,358,050
Receivables			
Taxes	36,164	7,144	43,308
Accounts	-	138,054	138,054
Assessments	24,473	49,746	74,219
Investment interest	-	3,935	3,935
Due from fiduciary fund	6,002	-	6,002
Due from other governmental units	109,140	-	109,140
Internal balances (net)	(12,060)	12,060	-
Prepaid expenses	16,425	-	16,425
Capital assets, net	<u>518,577</u>	<u>3,136,000</u>	<u>3,654,577</u>
Total assets	<u>1,847,260</u>	<u>7,040,261</u>	<u>8,887,521</u>
LIABILITIES			
Accounts payable	-	10,448	10,448
Accrued liabilities	8,183	985	9,168
Non-current liabilities			
Bonds due within one year	-	28,219	28,219
Bonds due in more than one year	<u>-</u>	<u>212,939</u>	<u>212,939</u>
Total liabilities	<u>8,183</u>	<u>252,591</u>	<u>260,774</u>
NET ASSETS			
Invested in capital assets net of related debt	518,577	2,894,842	3,413,419
Unrestricted	<u>1,320,500</u>	<u>3,892,828</u>	<u>5,213,328</u>
Total Net Assets	<u>\$1,839,077</u>	<u>\$6,787,670</u>	<u>\$8,626,747</u>

The Notes to Financial Statements are an integral part of this statement.

Township of Laketon, Michigan

STATEMENT OF ACTIVITIES

Year ended March 31, 2006

	Program Revenue		Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for services	Primary Government		Total
			Governmental activities	Business-type activities	
Primary Government					
Governmental activities					
Legislative	\$ 8,400	\$ -	\$ (8,400)	\$ -	\$ (8,400)
General government	653,432	104,014	(549,418)	-	(549,418)
Public safety	369,378	123,417	(245,961)	-	(245,961)
Public works	216,078	16,131	(199,947)	-	(199,947)
Recreation and cultural	<u>66,371</u>	<u>-</u>	<u>(66,371)</u>	<u>-</u>	<u>(66,371)</u>
Total governmental activities	1,313,659	243,562	(1,070,097)	-	(1,070,097)
Business-type activities					
Sewer	342,077	335,335	-	(6,742)	(6,742)
Water	<u>35,285</u>	<u>8,503</u>	<u>-</u>	<u>(26,782)</u>	<u>(26,782)</u>
Total business-type activities	<u>377,362</u>	<u>343,838</u>	<u>-</u>	<u>(33,524)</u>	<u>(33,524)</u>
Total primary government	<u>1,691,021</u>	<u>587,400</u>	<u>(1,070,097)</u>	<u>(33,524)</u>	<u>(1,103,621)</u>
General revenues					
Property taxes			557,169	113,492	670,661
State grants			507,179	-	507,179
Investment earnings			23,375	122,006	145,381
Other			<u>84,335</u>	<u>-</u>	<u>84,335</u>
Total general revenue and special items			<u>1,172,058</u>	<u>235,498</u>	<u>1,407,556</u>
Change in net assets			101,961	201,974	303,935
Net assets at April 1, 2005			<u>1,737,116</u>	<u>6,585,696</u>	<u>8,322,812</u>
Net assets at March 31, 2006			<u>\$1,839,077</u>	<u>\$6,787,670</u>	<u>\$8,626,747</u>

The accompanying notes are an integral part of this statement.

Township of Laketon, Michigan

BALANCE SHEET
GOVERNMENTAL FUNDS

March 31, 2006

	General Fund	Building Department	Total Governmental Funds
ASSETS			
Cash	\$ 834,252	\$ 314,287	\$1,148,539
Receivables			
Taxes	36,164	-	36,164
Assessments-current	2,807	-	2,807
Assessments-deferred	21,666	-	21,666
Prepaid expenses	16,425	-	16,425
Due from other funds	113,666	-	113,666
Due from other governmental units	<u>109,140</u>	<u>-</u>	<u>109,140</u>
Total Assets	<u>\$1,134,120</u>	<u>\$ 314,287</u>	<u>\$1,448,407</u>
LIABILITIES AND FUND EQUITY			
Liabilities:			
Accrued liabilities	\$ 8,183	\$ -	\$ 8,183
Due to other funds	12,060	107,664	119,724
Deferred revenue	<u>24,473</u>	<u>-</u>	<u>24,473</u>
Total Liabilities	<u>44,716</u>	<u>107,664</u>	<u>152,380</u>
Fund Equity:			
Fund balance			
Undesignated	<u>1,089,404</u>	<u>206,623</u>	<u>1,296,027</u>
Total Fund Equity	<u>1,089,404</u>	<u>206,623</u>	<u>1,296,027</u>
Total Liabilities and Fund Equity	<u>\$1,134,120</u>	<u>\$ 314,287</u>	<u>\$1,448,407</u>

The accompanying notes are an integral part of this statement.

Township of Laketon, Michigan

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS

March 31, 2006

Total fund balance-governmental funds	\$1,296,027
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Amounts reported for governmental activities in the Statement of
Net Assets are different because:

Capital assets used in governmental activities are not financial
resources and are not reported in the governmental funds.

Cost of capital assets	\$1,178,175	
Accumulated depreciation	<u>(659,598)</u>	518,577

Special assessment receivables are expected to be collected over several years, and are not available to pay for current year expenditures.	<u>24,473</u>
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Net assets of governmental activities in the Statement of Net Assets	<u>\$1,839,077</u>
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The accompanying notes are an integral part of this statement.

Township of Laketon, Michigan

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

Year ended March 31, 2006

	General Fund	Building Department	Total Governmental Funds
Revenues:			
Taxes	\$ 557,169	\$ -	\$ 557,169
Licenses and permits	4,320	-	4,320
State grants	507,179	-	507,179
Charges for services	104,013	119,097	223,110
Interest and rentals	27,893	6,862	34,755
Other revenue	<u>70,278</u>	<u>32,400</u>	<u>102,678</u>
TOTAL REVENUES	1,270,852	158,359	1,429,211
Expenditures			
Current:			
Legislative	8,400	-	8,400
General government	618,979	-	618,979
Public safety	367,351	-	367,351
Public works	83,300	128,725	212,025
Recreation and cultural	66,371	-	66,371
Capital outlay	<u>7,407</u>	<u>-</u>	<u>7,407</u>
TOTAL EXPENDITURES	<u>1,151,808</u>	<u>128,725</u>	<u>1,280,533</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	119,044	29,634	148,678
Fund balance - April 1	\$ <u>970,360</u>	<u>176,989</u>	<u>1,147,349</u>
Fund balance - March 31	<u>\$1,089,404</u>	<u>\$206,623</u>	<u>\$1,296,027</u>

The accompanying notes are an integral part of this statement.

Township of Laketon, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year ended March 31, 2006

Net change in fund balances-total governmental funds: \$148,678

Amounts reported for governmental activities in the Statement of Activities
are different because:

Governmental funds report outlays for capital assets as expenditures
in the Statement of Activities; these costs are depreciated over their
estimated useful lives.

Depreciation expense	\$ (40,533)	
Capital outlay	<u>7,407</u>	(33,126)

Special assessment revenues reported in the statement of activities
in previous years that did not provide current financial resources
in the governmental funds until the current year. (13,591)

Change in net assets of governmental activities \$101,961

The accompanying notes are an integral part of this statement.

Township of Laketon, Michigan

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

March 31, 2006

ASSETS

	Enterprise Funds		
	Sewage Disposal System	Water Supply System	Total
Current Assets			
Cash	\$1,846,749	\$ 488,523	\$2,335,272
Investments (approximate market value \$1,307,985)	1,358,050	-	1,358,050
Receivables			
Property taxes	7,144	-	7,144
Assessments - Current	-	10,895	10,895
Accounts	86,180	51,874	138,054
Investment interest	3,935	-	3,935
Due from other funds	-	12,060	12,060
Total current assets	3,302,058	563,352	3,865,410
Non Current Assets			
Property, plant and equipment	6,612,893	576,539	7,189,432
Construction in progress	184,530	-	184,530
Less accumulated depreciation	(4,067,175)	(170,787)	(4,237,962)
Capital assets, net	<u>2,730,248</u>	<u>405,752</u>	<u>3,136,000</u>
Other assets			
Assessments receivable	-	38,851	38,851
Total Assets	\$6,032,306	\$1,007,955	\$7,040,261

LIABILITIES AND NET ASSETS

Current Liabilities			
Accounts payable	\$ 10,448	\$ -	\$ 10,448
Accrued interest	985	-	985
Bonds payable, due within one year	<u>28,219</u>	<u>-</u>	<u>28,219</u>
Total current liabilities	39,652	-	39,652
Non Current Liabilities			
Bonds payable, less amounts due in one year	<u>212,939</u>	<u>-</u>	<u>212,939</u>
Total non current liabilities	212,939	-	212,939
Net Assets			
Invested in capital assets, net of related debt	2,489,090	405,752	2,894,842
Unreserved	<u>3,290,625</u>	<u>602,203</u>	<u>3,892,828</u>
Total net assets	<u>\$5,779,715</u>	<u>\$1,007,955</u>	<u>\$6,787,670</u>

The accompanying notes are an integral part of this statement.

Township of Laketon, Michigan

STATEMENT OF REVENUES AND EXPENSES
AND CHANGES IN FUND NET ASSETS

PROPRIETARY FUNDS

Year ended March 31, 2006

	Enterprise Funds		
	Sewage Disposal System	Water Supply System	Total
Operating revenues			
Charges for services	\$ 276,835	\$ 1,885	\$ 278,720
	<u>276,835</u>	<u>1,885</u>	<u>278,720</u>
Operating expenses			
Salaries and wages	18,471	18,471	36,942
Office supplies	1,193	-	1,193
Repairs and maintenance	457	-	457
Professional and contractual services	50,790	1,850	52,640
Depreciation	165,322	14,414	179,736
Usage charge	80,738	-	80,738
Miscellaneous	6,371	550	6,921
	<u>323,342</u>	<u>35,285</u>	<u>358,627</u>
Operating income (loss)	(46,507)	(33,400)	(79,907)
Non operating revenues (expenses)			
Property taxes	113,492	-	113,492
Connection fees	58,500	6,618	65,118
Interest revenue	103,110	19,858	122,968
Interest expense	(18,735)	-	(18,735)
Gain (loss) on sale of investments	(962)	-	(962)
Total non operating revenues	<u>255,405</u>	<u>26,476</u>	<u>281,881</u>
Change in net assets	208,898	(6,924)	201,974
Total net assets -April 1	<u>5,570,817</u>	<u>1,014,879</u>	<u>6,585,696</u>
Total net assets - March 31	<u>\$5,779,715</u>	<u>\$1,007,955</u>	<u>\$6,787,670</u>

The accompanying notes are an integral part of this statement.

Township of Laketon, Michigan

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year ended March 31, 2006

	Enterprise Funds		
	Sewage Disposal System	Water Supply System	Total
Cash flows from operating activities:			
Receipts from customers	\$ 264,567	\$ 9,081	\$ 273,648
Payments to suppliers	(135,690)	(16,767)	(152,457)
Payments to employees	(18,471)	(18,471)	(36,942)
Net cash provided by operating activities	110,406	(26,157)	84,249
Cash Flows From Noncapital Financing Activities			
Operating subsidies and transfers to other funds	-	-	-
Cash Flows From Capital and Related Financing Activities			
Connection fees	58,500	6,618	65,118
Proceeds from the sale of fixed assets	-	-	-
Purchases of capital assets	-	-	-
Principal and interest paid on capital debt	(46,246)	-	(46,246)
Other receipts	112,663	-	112,663
Net cash (used) by capital and related financing activities	124,917	6,618	131,535
Cash Flows From Investing Activities			
Net changes in investments	34,684	-	34,684
Investment earnings	101,092	19,858	120,950
Net cash provided by investing activities	135,776	19,858	155,634
Net increase in cash	371,099	319	371,418
Cash at April 1, 2005	1,475,650	488,204	1,963,854
Cash at March 31, 2006	1,846,749	488,523	2,335,272
Reconciliation of Operating Income to Net Cash			
Provided by Operating Activities			
Operating Income (loss)	(46,507)	(33,400)	(79,907)
Adjustments to Reconcile Operating Income to Net Cash			
Provided by Operating Activities			
Depreciation expense	165,322	14,414	179,736
Change in Assets and Liabilities:			
Receivables-net	(12,268)	(7,171)	(19,439)
Accounts and other payables	3,859	-	3,859
Net Cash Provided by Operating Activities	\$ 110,406	\$ (26,157)	\$ 84,249

The accompanying notes are an integral part of this statement.

Township of Laketon, Michigan

FIDUCIARY FUND - STATEMENT OF NET ASSETS

March 31, 2006

	<u>Agency Fund</u>
	<u>Current Tax Collection</u>
ASSETS	
Cash	\$ <u>6,002</u>
LIABILITIES	
Due to other funds	\$ <u>6,002</u>

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Township of Laketon have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's policies are described below.

1. Reporting Entity

The Township of Laketon (Muskegon County) is a general law township which operates under an elected Township Board form of government and provides services to its residents in many areas including public safety, highways and streets, sanitation, parks and recreation, planning and zoning and general administrative services.

2. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and user charges.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues. The Township does not allocate indirect costs.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NOTES TO FINANCIAL STATEMENTS-CONTINUED

March 31, 2006

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation-Continued

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures (when applicable), expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, state revenue sharing and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Building Department Fund accounts for the collection of building department permit fees in the Township.

The Township reports the following major proprietary funds:

The Sewage Disposal System Fund accounts for the activities of the sewage disposal system. The main source of revenue for the fund comes from user charges.

The Water Supply System Fund accounts for the activities of the water supply system. User charges are the operating revenues of the fund.

The Township reports the following fiduciary fund:

The Current Tax Collection Fund accounts for revenues received from tax payers and distributed to various entities including the county, township and school district per predetermined millages.

NOTES TO FINANCIAL STATEMENTS-CONTINUED

March 31, 2006

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation-Continued

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments, if any. Internally dedicated resources are reported as general revenue rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges to customers for sales and services. Operating expenses for the proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

4. Assets, Liabilities, and Net Assets or Equity

a. Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and certificate of deposits. The Township has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Township to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers acceptances, state-approved investment pools and certain mutual funds.

The Township considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

NOTES TO FINANCIAL STATEMENTS-CONTINUED

March 31, 2006

4. Assets, Liabilities, and Net Assets or Equity-Continued

b. Receivables and Payables

All outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

Property taxes attach as an enforceable lien on property and are levied as follows: Summer taxes on July 1 are payable through September 14; winter taxes on December 1, are payable through February 14. The Township bills and collects its own property taxes and also taxes for the local and intermediate school districts and the county. Collection of these taxes and remittance of them to the districts and the county are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized in the period for which they are levied. The Township is permitted by law to levy taxes up to 3.9 mills per \$1,000 of assessed valuation for general governmental services other than the payment of principal and interest on long-term debt and no millage for the payment and interest on long-term debt. The combined tax rate to finance general governmental services for the year ended March 31, 2006, was 3.5261 mills.

c. Capital Assets

Capital assets, which include property, plant, equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of at least \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements, if any, are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment of the primary government is depreciated using the straight-line method over the following useful lives:

NOTES TO FINANCIAL STATEMENTS-CONTINUED

March 31, 2006

4. Assets, Liabilities, and Net Assets or Equity-Continued

<u>Assets</u>	<u>Years</u>
Land improvements	15-30
Buildings and improvements	15-55
Equipment	5-15

e. Compensated Absences

Township employees earn vacation and sick leave in varying amounts based on length of service. Unused vacation time and sick leave do not accumulate past March 31 of each fiscal year. No portion of unused sick leave is paid to employees at the time of termination or retirement. It is the Township's policy to recognize the cost of sick leave at the time payments are made.

e. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net assets.

f. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

g. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

NOTES TO FINANCIAL STATEMENTS-CONTINUED

March 31, 2006

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

1. Budgetary Information

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. On or about March 31, the Township Board submits to the general public a proposed operating budget for the fiscal year commencing the following April 1. The operating budget included proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to April 1, the budget is legally enacted through passage of a resolution.
- d. The Township Board is authorized to transfer budgeted amounts within departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the general public.
- e. The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles.
- f. Appropriations for the general fund lapse at the end of the fiscal year.

Budgeted amounts are as originally adopted, or as amended by the Township Board as of March 31, 2006.

2. Risk Management

The Township of Laketon is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The Township has purchased commercial insurance for medical benefits claims and participates in the Michigan Municipal Workmen's Compensation Fund for workmen's compensation claims and the Michigan Municipal Liability and Property Pool for claims relating to general liability, excess liability, auto liability, trunkline liability, errors and omissions, physical damage (equipment, buildings and contents). Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

The local units in the State of Michigan established and created the above mentioned pools pursuant to the provisions of Act 138 of the Michigan Public Acts of 1982. These Pools are to provide for joint and cooperative action relative to Members' financial and administrative resources for the purpose of providing risk management services along with property and liability protection. Membership is restricted to local units and related local unit activities within the state.

NOTES TO FINANCIAL STATEMENTS-CONTINUED

March 31, 2006

NOTE C- DEPOSITS AND INVESTMENTS

1. Deposits

The Township's deposits are in several financial institutions and are carried at cost; the deposits are composed of interest bearing and non-interest bearing demand deposits and certificates of deposit.

As of March 31, 2006, the Township's carrying amount of deposits was \$3,489,813, and the bank balance was \$3,565,035. Of the bank balance, \$575,445 was covered by federal depository insurance, the remainder being uninsured. The balances include money held by Muskegon County.

2. Investments

Michigan Compiled Laws, Section 129.91, authorizes the township to deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other obligations of the United States, or an agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States, including securities issued or guaranteed by the Government National Mortgage Association; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; and commercial paper rated by two standard rating agencies within the three highest classifications, which mature not more than 270 days after the date of purchase, and which involves no more than 50 percent of any one fund. Investments accumulated under an eligible deferred compensation plan may be placed, at the authorization of a governing body with a financial institution authorized to do business in this State, a State or Federally licensed investment company or insurance company authorized to do business in this State, or trust established by public employers for the investment of deferred compensation or retirement plans. Such funds shall be invested as directed by the governing body.

Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. The Township has surplus funds invested with Merrill Lynch, Pierce, Fenner and Smith and in Municipal Investment Funds with National City Bank.

Township of Laketon, Michigan

NOTES TO FINANCIAL STATEMENTS-CONTINUED

March 31, 2006

NOTE C - DEPOSITS AND INVESTMENTS-CONTINUED

3. Summary

At year-end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Business-Type Activities	Fiduciary Fund	Total Primary Government
Cash and cash equivalents	\$1,148,539	\$2,335,272	\$ 6,002	\$3,489,813
Investments	-	1,358,050	-	1,358,050
Total	<u>\$1,148,539</u>	<u>\$3,693,322</u>	<u>\$ 6,002</u>	<u>\$4,847,863</u>

The GASB Statement No. 3 risk disclosures for the Township's investments are as follows:

	1	Category 2	3	Carrying Amount	Market Value
Primary Government Investments	\$ -	\$ -	\$1,358,050	\$1,358,050	\$1,307,985

Township investments are categorized to give an indication of the level of risk assumed by the Township at March 31, 2006.

1. Insured or Registered, or Securities held by the Township or the Township's agent in the Township's name.
2. Uninsured and Unregistered with Securities held by the Dealer's Trust Department or its agent in the Township's name.
3. Uninsured and Unregistered, with Securities held by the Dealer, or the Dealer's Trust Department or Agent but not in the Township's name.

Township of Laketon, Michigan

NOTES TO FINANCIAL STATEMENTS-CONTINUED

March 31, 2006

NOTE D - INTERFUND RECEIVABLES AND PAYABLES

Details of interfund receivables and payables at March 31, 2006, as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	\$ 113,666	Building Dept.	\$107,664
		Tax Collection	6,002
	<u>113,666</u>		<u>113,666</u>
Water	12,060	General	12,060
	<u>\$ 125,726</u>		<u>\$125,726</u>

NOTE E - CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2006 was as follows:

<u>Governmental Activities</u>	<u>Balance April 1, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance March 31, 2006</u>
Capital assets, not being depreciated:				
Land	\$ 65,016	\$ -	\$ -	\$ 65,016
Total capital assets, not being depreciated	<u>65,016</u>	<u>-</u>	<u>-</u>	<u>65,016</u>
Capital assets, being depreciated:				
Land improvements	492,960	-	-	492,960
Buildings and improvements	358,496	7,407	-	365,903
Equipment	<u>254,296</u>	<u>-</u>	<u>-</u>	<u>254,296</u>
Total capital assets, being depreciated	1,105,752	7,407	-	1,113,159
Less accumulated depreciation for:				
Land improvements	267,927	20,150	-	288,077
Buildings and improvements	168,505	7,243	-	175,748
Equipment	<u>182,633</u>	<u>13,140</u>	<u>-</u>	<u>195,773</u>
Total accumulated depreciation	<u>619,065</u>	<u>40,533</u>	<u>-</u>	<u>659,598</u>
Total capital assets, being depreciated, net	<u>486,687</u>	<u>(33,126)</u>	<u>-</u>	<u>453,561</u>
Capital Assets, net	<u>551,703</u>	<u>(33,126)</u>	<u>-</u>	<u>518,577</u>

Township of Laketon, Michigan

NOTES TO FINANCIAL STATEMENTS-CONTINUED

March 31, 2006

NOTE E-CAPITAL ASSETS-CONTINUED

	Balance April 1, 2005	Additions	Deductions	Balance March 31, 2006
<u>Business-Type Activities:</u>				
Capital Assets Not Being Depreciated:				
Construction in progress	<u>184,530</u>	<u>-</u>	<u>-</u>	<u>184,530</u>
Total capital assets, not being depreciated	184,530	-	-	184,530
Capital assets being depreciated:				
Sewage disposal system	6,612,893	-	-	6,612,893
Water supply system	<u>576,539</u>	<u>-</u>	<u>-</u>	<u>576,539</u>
Total capital assets, being depreciated	<u>7,189,432</u>	<u>-</u>	<u>-</u>	<u>7,189,432</u>
Less accumulated depreciation:				
Sewage disposal system	3,901,852	165,322	-	4,067,174
Water supply system	<u>156,374</u>	<u>14,414</u>	<u>-</u>	<u>170,788</u>
Total accumulated depreciation	<u>4,058,226</u>	<u>179,736</u>	<u>-</u>	<u>4,237,962</u>
Total capital assets, being depreciated, net	<u>3,131,206</u>	<u>(179,736)</u>	<u>-</u>	<u>2,951,470</u>
Capital assets, net	<u>3,315,736</u>	<u>(179,736)</u>	<u>-</u>	<u>3,136,000</u>
<u>Government activities:</u>				
Depreciation				
Depreciation expense was charged to functions as follows:				
General government				\$ 34,453
Public safety				2,027
Public works				<u>4,053</u>
				<u>\$ 40,533</u>
<u>Business-type activities:</u>				
Depreciation				
Depreciation expense was charged to functions as follows:				
Sewer				\$165,322
Water				<u>14,414</u>
				<u>\$179,736</u>

Township of Laketon, Michigan

NOTES TO FINANCIAL STATEMENTS-CONTINUED

March 31, 2006

NOTE F - LONG TERM DEBT

Summary of Changes in Long-Term Liabilities

The following is a summary of long-term liabilities activity for the Township for the year ended March 31, 2006:

	<u>Balance</u> <u>April 1, 2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>March 31, 2006</u>	<u>Due within</u> <u>one year</u>
Business-type activities:					
Contracts payable	\$ <u>268,091</u>	<u>-</u>	\$ <u>26,933</u>	\$ <u>241,158</u>	\$ <u>28,219</u>
	\$ <u>268,091</u>	<u>-</u>	\$ <u>26,933</u>	\$ <u>241,158</u>	\$ <u>28,219</u>

The Township has a 1.0% interest in the total issue of the Wastewater Management System Revenue Bonds of \$17,000,000 due in annual installments of \$1,700 to \$8,500 through July 1, 2026, plus interest at 3.7% to 5.0% per annum

\$ 162,350

The Township has a 1.245% interest in the total issue of the Wastewater Improvement Refunding Bonds of \$6,990,000 due in annual installments of \$26,519 to \$26,020 through July 1, 2008, plus interest at 5.0% per annum

78,808

\$ 241,158

The wastewater improvement bonds were issued for the acquisition, construction and financing of capital improvements to the existing wastewater management system.

The Township contracted with the County of Muskegon for the continued construction of a wastewater management system. Under terms of the contract, the County shall be the owner. To defray the cost of the system, the County issued bonds in the aggregate principal sum of \$17,000,000. The Township has a 1% interest totaling \$170,000. The Township will meet its contractual obligation for the principal and interest payments by rate charges to users of the system.

Township of Laketon, Michigan

NOTES TO FINANCIAL STATEMENTS-CONTINUED

March 31, 2006

NOTE F - LONG TERM DEBT - CONTINUED

Annual debt service requirements to maturity for debt outstanding at March 31, 2006 is as follows:

Year ending March 31, 2006	Business-type activities	
	Principal	Interest
2007	\$ 28,219	\$ 11,566
2008	29,369	10,147
2009	30,570	8,677
2010	8,500	7,102
2011	8,500	6,735
2012-2016	42,500	28,007
2017-2021	42,500	18,028
2022-2026	42,500	7,440
2027	8,500	213
Total	\$ <u>241,158</u>	\$ <u>97,915</u>

NOTE G - SEGMENT INFORMATION FOR ENTERPRISE FUND

The Township maintains two enterprise funds which provide sewer and water services for its residents. Segment information for the year ended March 31, 2006, was as follows:

	Sewer Fund	Water Fund	Total
Operating revenues	\$ 276,835	\$ 1,885	\$ 278,720
Depreciation expense	165,322	14,414	179,736
Operating income (loss)	(46,507)	(33,400)	(79,907)
Change in net assets	208,898	(6,924)	201,974
Net working capital	3,262,406	563,352	3,825,758
Total assets	6,032,306	1,007,955	7,040,261
Long-term liabilities - payable from operating revenues	212,939	-	212,939
Total net assets	5,779,715	1,007,955	6,787,670

Township of Laketon, Michigan

NOTES TO FINANCIAL STATEMENTS-CONTINUED

March 31, 2006

NOTE H - PENSION PLAN

The Township has a pension plan covering qualified employees in which the Township contributes all of the required contributions (money purchase plan) for the year. Total contributions by the Township for the year ended March 31, 2006, were \$71,088. All costs during the year associated with the plan were paid currently.

NOTE I - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures have been reported on a functional basis. The approved budgets of the Township for these budgetary funds were adopted to the activity level. During the year ended March 31, 2006, the Township incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated as follows:

	<u>Total appropriations</u>	<u>Actual expenditures</u>	<u>Budget variance</u>
General fund			
Elections	\$ 8,500	\$ 12,847	\$ 4,347
Planning Commission	39,000	53,029	14,029
Appeal Board	3,000	4,321	1,321
Drains	4,000	5,990	1,990
Sanitation	40,000	43,987	3,987

REQUIRED SUPPLEMENTAL INFORMATION

Township of Laketon, Michigan
Budgetary Comparison Schedule
GENERAL FUND

Year ended March 31, 2006

	<u>Budgeted Amounts</u>		Actual	Variance with final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 538,576	\$ 538,576	\$ 557,169	\$ 18,593
Licenses and permits	2,000	2,000	4,320	2,320
State grants	460,000	460,000	507,179	47,179
Charges for services	89,000	89,000	104,013	15,013
Interest and rentals	3,000	3,000	27,893	24,893
Other revenue	<u>22,850</u>	<u>22,850</u>	<u>70,278</u>	<u>47,428</u>
Total Revenues	1,115,426	1,115,426	1,270,852	155,426
EXPENDITURES				
Legislative				
Governing body				
Salaries and wages	<u>16,500</u>	<u>16,500</u>	<u>8,400</u>	<u>8,100</u>
Total Legislative	16,500	16,500	8,400	8,100
General government				
Supervisor				
Salaries and wages	48,180	48,180	48,180	-
Elections				
Salaries and wages	4,000	4,000	9,417	(5,417)
Office supplies	1,000	1,000	573	427
Education	500	500	-	500
Miscellaneous	<u>3,000</u>	<u>3,000</u>	<u>2,857</u>	<u>143</u>
	8,500	8,500	12,847	(4,347)
Auditor				
Professional and contractual services	5,000	5,000	4,717	283
Engineering				
Professional and contractual services	2,500	2,500	-	2,500
Assessor				
Wages	1,000	1,000	630	370
Professional and contractual services	38,000	38,000	38,000	-
Miscellaneous	<u>4,100</u>	<u>4,100</u>	<u>3,462</u>	<u>638</u>
	43,100	43,100	42,092	1,008
Attorney				
Professional and contractual services	20,000	20,000	17,750	2,250

Township of Laketon, Michigan
Budgetary Comparison Schedule
GENERAL FUND-CONTINUED

Year ended March 31, 2006

	<u>Budgeted Amounts</u>		Actual	Variance with final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
General government-continued				
Clerk				
Salaries and wages	41,400	41,400	41,400	-
Treasurer				
Salaries and wages	31,344	31,344	31,344	-
Building and Grounds				
Salaries and wages	64,000	64,000	12,492	51,508
Supplies	16,000	16,000	12,683	3,317
Postage	5,200	5,200	4,733	467
Telephone	6,000	6,000	5,776	224
Insurance, bonds and pension	234,500	234,500	251,128	(16,628)
Public utilities	10,000	10,000	12,340	(2,340)
Repairs and maintenance	5,000	5,000	2,618	2,382
Advertising	2,000	2,000	447	1,553
Education	4,500	4,500	3,750	750
Unemployment	1,000	1,000	-	1,000
Transportation	3,000	3,000	3,281	(281)
Muskegon Area First	5,600	5,600	4,207	1,393
Miscellaneous	<u>13,000</u>	<u>13,000</u>	<u>16,089</u>	<u>(3,089)</u>
	369,800	369,800	329,544	40,256
Cemetery				
Salaries and wages	48,000	48,000	48,972	(972)
Administration	8,547	8,547	-	8,547
Telephone	600	600	671	(71)
Public utilities	1,200	1,200	1,343	(143)
Repairs and maintenance	4,500	4,500	3,432	1,068
Miscellaneous	<u>2,000</u>	<u>2,000</u>	<u>2,367</u>	<u>(367)</u>
	64,847	64,847	56,785	8,062
Service Building and Grounds				
Wages	28,000	28,000	29,724	(1,724)
Maintenance	4,000	4,000	1,904	2,096

The accompanying notes are an integral part of this statement.

Township of Laketon, Michigan
Budgetary Comparison Schedule
GENERAL FUND-CONTINUED

Year ended March 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with final Budget -Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
General government-continued				
Service Building and Grounds-continued				
Gas and oil	3,000	3,000	2,692	308
Utilities	100	100	-	100
	<u>35,100</u>	<u>35,100</u>	<u>34,320</u>	<u>780</u>
Total General Government	669,771	669,771	618,979	50,792
Public Safety				
Fire Department				
Professional and contractual services	244,598	244,598	244,598	-
Hydrant rental	19,000	19,000	18,135	865
	<u>263,598</u>	<u>263,598</u>	<u>262,733</u>	<u>865</u>
Police Protection				
Professional and contractual services	67,500	67,500	47,268	20,232
	<u>67,500</u>	<u>67,500</u>	<u>47,268</u>	<u>20,232</u>
Planning Commission				
Salaries and wages	22,000	22,000	20,519	1,481
Office supplies	1,000	1,000	-	1,000
Professional services	7,000	7,000	16,814	(9,814)
Advertising	3,000	3,000	1,990	1,010
Miscellaneous	6,000	6,000	13,706	(7,706)
	<u>39,000</u>	<u>39,000</u>	<u>53,029</u>	<u>(14,029)</u>
Appeal Board				
Salaries and wages	1,000	1,000	1,532	(532)
Advertising	1,500	1,500	2,003	(503)
Miscellaneous	500	500	786	(286)
	<u>3,000</u>	<u>3,000</u>	<u>4,321</u>	<u>(1,321)</u>
Total Public Safety	373,098	373,098	367,351	5,747
Public Works				
Drains				
Drain projects	4,000	4,000	5,990	(1,990)
Street lighting				
Public utilities	32,000	32,000	31,651	349

The accompanying notes are an integral part of this statement.

Township of Laketon, Michigan
Budgetary Comparison Schedule
GENERAL FUND-CONTINUED

Year ended March 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with final Budget -Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Public Works-continued				
Road construction				
Road projects	2,000	2,000	1,377	623
Street signs and posts	500	500	295	205
	<u>2,500</u>	<u>2,500</u>	<u>1,672</u>	<u>828</u>
Sanitation				
Wages	11,000	11,000	8,944	2,056
Landfill rental	29,000	29,000	35,043	(6,043)
	<u>40,000</u>	<u>40,000</u>	<u>43,987</u>	<u>(3,987)</u>
Total Public Works	78,500	78,500	83,300	(4,800)
Recreation and Cultural				
Parks				
Salaries and wages	35,000	35,000	27,765	7,235
Public utilities	5,000	5,000	3,911	1,089
Repairs and maintenance	8,000	8,000	7,333	667
Professional services	8,000	8,000	-	8,000
Recreation program				
Reeths Puffer	24,500	24,500	17,134	7,366
Miscellaneous	6,000	6,000	6,728	(728)
	<u>86,500</u>	<u>86,500</u>	<u>62,871</u>	<u>23,629</u>
Library				
Professional and contractual services	3,500	3,500	3,500	-
Total Recreation and Cultural	90,000	90,000	66,371	23,629
Capital Outlay				
General	39,000	39,000	7,407	31,593
TOTAL EXPENDITURES	<u>\$1,266,869</u>	<u>\$1,266,869</u>	<u>\$1,151,808</u>	<u>\$ 115,061</u>

The accompanying notes are an integral part of this statement.

Township of Laketon, Michigan

Budgetary Comparison Schedule
BUILDING DEPARTMENT FUND

Year ended March 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for services	\$ 94,000	\$ 94,000	\$119,097	\$ 25,097
Interest revenue	800	800	6,862	6,062
Reimbursements	28,050	28,050	32,400	4,350
Other revenue	<u>50</u>	<u>50</u>	<u>-</u>	<u>(50)</u>
TOTAL REVENUES	122,900	122,900	158,359	35,459
Expenditures				
Salaries and wages	28,800	28,800	33,011	(4,211)
Contracted services	68,400	68,400	69,288	(888)
Office supplies	100	100	373	(273)
Administration	32,000	32,000	23,754	8,246
Miscellaneous	<u>4,500</u>	<u>4,500</u>	<u>2,299</u>	<u>2,201</u>
TOTAL EXPENDITURES	133,800	133,800	128,725	5,075
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(10,900)	(10,900)	29,634	40,534
Fund balance - April 1	<u>176,989</u>	<u>176,989</u>	<u>176,989</u>	<u>-</u>
Fund balance - March 31	\$ <u>166,089</u>	\$ <u>166,089</u>	\$ <u>206,623</u>	\$ <u>40,534</u>

The accompanying notes are an integral part of this statement.

OTHER SUPPLEMENTAL INFORMATION

Township of Laketon, Michigan

SCHEDULE OF INDEBTEDNESS

March 31, 2006

Enterprise Fund

Contracts payable

Muskegon County Wastewater Management System -

1996 Refunding bonds

Number 2 - Revenue Bonds - Series 2002

2002 Refunding bonds

The accompanying notes are an integral part of this statement.

<u>Date of issue</u>	<u>Amount of issue</u>	<u>Interest rate</u>	<u>Date of maturity</u>	<u>March 31 2005</u>	<u>March 31 2006</u>	<u>Annual interest payable</u>
5-01-96	171,188	5.7	7/01/05	<u>20,543</u> 20,543	<u>-</u> -	<u>-</u> -
1-15-02	170,000	3.50	7/01/05	3,900	-	-
		3.70	7/01/06	1,700	1,700	7,626
		4.00	7/01/07	3,100	3,100	7,532
		4.125	7/01/08	4,550	4,550	7,376
		4.250	7/01/09	8,500	8,500	7,102
		4.375	7/01/10	8,500	8,500	6,735
		4.375	7/01/11	8,500	8,500	6,363
		4.50	7/01/12	8,500	8,500	5,986
		4.50	7/01/13	8,500	8,500	5,604
		4.50	7/01/14	8,500	8,500	5,221
		4.625	7/01/15	8,500	8,500	4,833
		4.750	7/01/16	8,500	8,500	4,435
		4.80	7/01/17	8,500	8,500	4,029
		5.00	7/01/18	8,500	8,500	3,613
		5.00	7/01/19	8,500	8,500	3,188
		5.00	7/01/20	8,500	8,500	2,763
		5.00	7/01/21	8,500	8,500	2,338
		5.00	7/01/22	8,500	8,500	1,913
		5.00	7/01/23	8,500	8,500	1,488
		5.00	7/01/24	8,500	8,500	1,063
		5.00	7/01/25	8,500	8,500	638
		5.00	7/01/26	<u>8,500</u>	<u>8,500</u>	<u>213</u>
				166,250	162,350	90,059
11-06-02	87,025	2.25	7/01/05	2,490	-	-
		5.00	7/01/06	26,519	26,519	3,940
		5.00	7/01/07	26,269	26,269	2,615
		5.00	7/01/08	<u>26,020</u>	<u>26,020</u>	<u>1,301</u>
				<u>81,298</u>	<u>78,808</u>	<u>7,856</u>
				\$ <u>268,091</u>	\$ <u>241,158</u>	\$ <u>97,915</u>

CALVIN D. MEEUSEN, C.P.A., PLLC

CALVIN D. MEEUSEN

CERTIFIED PUBLIC ACCOUNTANT

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August 7, 2006

Members of the Township Board
Township of Laketon, Michigan

In connection with my examination of the financial statements of the Township of Laketon as of March 31, 2006, I have reviewed the accounting policies and procedures employed by the Township and the internal controls in effect. As a result of this review, I wish to make certain comments and recommendations.

I have examined the financial statements of the Township of Laketon, Michigan, for the year ended March 31, 2006, and have issued our report thereon dated August 7, 2006. As part of our examination, we made a study and evaluation of the system of internal accounting control of the Township of Laketon, Michigan, to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards and the standards for financial and compliance audits contained in the U.S. General Accounting Office "Standards for Audit of Governmental Organizations, Programs, Activities and Functions". For the purpose of this report, we have classified the significant internal accounting controls in the following categories: Cycles of the entity's Activity, Financial Statement Captions and Accounting Applications. Our study included all of the control categories listed above. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the entity's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole or on any of the categories of controls identified above.

The management of the Township of Laketon, Michigan, is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

My study and evaluation made for the limited purposes described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, I do not express an opinion on the system of internal accounting control of the Township taken as a whole. However, my study and evaluation disclosed that the internal controls are not adequate to reduce to a relatively low risk that errors or irregularities in amounts that would be material in relation to the financial statements of the Township may occur and not be detected within a timely period. This is because of a lack of segregation of duties due to the limited number of accounting personnel. Accordingly, substantive testing has been increased to reduce to an acceptable level the audit risk associated with this situation.

This report is intended solely for the use of management and the State of Michigan, Michigan Department of Treasury, and should not be used for any other purpose.

A budget is required by the State Constitution, State Statutes and P. A. 621 of 1989 as amended, and is the only basis for spending. A local unit cannot overspend its adopted budget unless a change in the budget is approved by the Township Board. During the past fiscal year the Township overspent in several departments and underspent in other departments. In order to prevent this from happening in the future, I would suggest that financial statements be submitted to the Board at least quarterly, which would show departmentally the adopted budget, amount spent to date, and the unexpended balance in the account. Then, if it became apparent that a department needed additional funds, the Board could amend the budget to cover the anticipated deficiency. Any amendment to the adopted budget or any transfer of monies between funds should be authorized by resolution of the Board and recorded in the minutes.

The Township has experienced substantial growth over the past few years. As it continues to grow, consideration should be given to the hiring of a qualified full-time bookkeeper if necessary. In addition township management should designate and cross-train personnel who are capable of "backing up" the bookkeeper in the event of illness, vacation, or other extended absences. This would ensure that the accounting records are properly maintained and that the day-to-day paperwork is correctly processed on a timely basis.

Township personnel should obtain, on a periodic basis, information from Muskegon County concerning new bond issues, use of bond proceeds for construction and other costs, interest income on township monies and bond principal and interest payments deemed to be paid from water purchases and sewage treatment charges. This information should then be entered into the Township's accounting records.

The Township should consider using more financial institutions in order to maximize Federal Deposit Insurance Corporation (FDIC) coverage on their bank accounts. The Township had deposits of \$3,489,813 of which approximately \$2,914,368 was not covered by the FDIC.

Monthly bank reconciliations should be compared to the corresponding general ledger cash balance and any differences investigated and corrected.

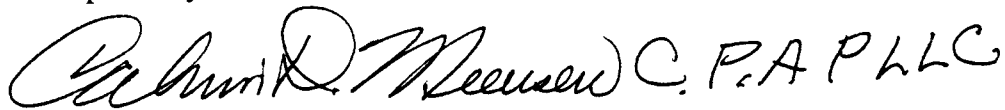
Members of the Township Board
Township of Laketon, Michigan

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In conclusion, I wish to state that I have had excellent cooperation from all personnel involved in the recordkeeping area and look forward to more of the same in the future.

All of the above comments and recommendations have been discussed with Township officials who have indicated to me that the Township will attempt to comply with them. These comments and recommendations are intended to be only of a constructive nature as I am sure they will continue to improve your accounting system. I would be available at any time in order to discuss these comments and recommendations.

Respectfully submitted,

A handwritten signature in black ink that reads "Calvin D. Meeusen C.P.A. PLLC". The signature is written in a cursive style with a large, stylized "C" at the beginning.

Calvin D. Meeusen, C.P.A., PLLC